

DEPARTMENT OF AGRICULTURE

RURAL BUSINESS - COOPERATIVE SERVICE

**Invitation for Applications of Interest to sell Intermediary Relending Program (IRP) Loans
Under an Expanded Pilot - Extension of Time and Clarification of Issues**

AGENCY: Rural Business-Cooperative Service (RBS), U.S. Department of Agriculture
(USDA).

ACTION: Notice.

SUMMARY: On November 12, 1999 (64 FR 61575), RBS announced an expanded pilot sale of IRP intermediary loans made to third parties. The intended effect of the notice was to solicit applications of interest from intermediaries who wished to consider participation in the Fiscal Year (FY) 2000 loan sale. RBS stated that it would competitively select and authorize several intermediaries to sell an aggregate amount of approximately \$50 million of the existing IRP portfolios in FY 2000 from among those intermediaries who have advanced at least 95 percent of IRP funding received by the intermediary. That announcement was also intended to provide notice to potential purchasers and other parties interested in structuring the sale of ultimate recipient notes. This notice restates and clarifies language in the November 12, 1999, notice and

extends the length of time available to submit an application, due date for submission, and date by which any sale of loans is required to be complete.

None of the intermediaries which submitted an application were able to meet all basic criteria for eligibility. Several other interested parties communicated with RBS that, although they were potentially interested in participating in the sale, they did not intend to respond to the invitation due to the short 45-day deadline for responses during the December 1999 holiday season. The Agency is concerned that many intermediaries made a basic examination of their portfolios during the earlier 45-day period and determined preparation time was inadequate.

RBS believes that the expanded pilot sale is necessary to allow the Agency to: (1) test whether there is a sufficient market for a large amount of these loans, whether sold as whole loans or in some other structure; and (2) give the Agency sufficient data to evaluate the effectiveness and long-term program impact of allowing such sales.

Therefore, RBS has decided to reopen consideration for entities to participate. There is no expectation by the Agency that, after receiving approval to participate from RBS, any or all intermediaries will determine that it is ultimately in their interest to negotiate or consummate a sale in the required time frame. If RBS determines after the pilot program that sufficient interest exists, the Agency intends to begin the formal rule-making process.

DATES: The deadline for receipt of the applications of interest in the third-party sale in the applicable Rural Development State Office (see ADDRESSES below) is 4:00 P.M. Eastern Time on (insert 60 days after publication in the Federal Register). Applications received after that date will not be considered for participation in the expanded pilot sale. Any application of interest already submitted by potential buyers for those portfolios, and offerors of other services to buyers or sellers, shall remain valid and need not be resubmitted by those parties. However, parties which submitted applications of interest may revise or withdraw those applications if they so choose. New applications from additional parties will also be allowed, although an application only facilitates contact between intermediaries, service providers, and purchasers, and is not required for an entity to either provide services or purchase loans.

A deadline for completion of any sale resulting from an intermediary is hereby established as December 31, 2000, to allow a timely evaluation of the pilot sale and permit the start of formal rule making. None of the basic criteria for eligibility have been revised from the November 12, 1999, notice. However, certain language in the original invitation has been clarified.

ADDRESSES: Applications to participate in the expanded pilot sale should be mailed to the Rural Development State Office for the State in which the intermediary is headquartered. Listed below are the following addresses for Rural Development State Offices:

Alabama

USDA Rural Development State Office
Sterling Center, Suite 601
4121 Carmichael Road
Montgomery, AL 36106-3683
(334) 279-3400

Alaska

USDA Rural Development State Office
800 West Evergreen, Suite 201
Palmer, AK 99645-6539
(907) 761-7600

Arizona

USDA Rural Development State Office
3003 North Central Avenue, Suite 900
Phoenix, AZ 85012-2906
(602) 280-8700

Arkansas

USDA Rural Development State Office
700 West Capitol Avenue, Room 3416
Little Rock, AR 72201-3225
(501) 301-3200

California

USDA Rural Development State Office
430 G Street, Agency 4169
Davis, CA 95616-4169
(530) 792-5800

Colorado

USDA Rural Development State Office
655 Parfet Street, Room E-100
Lakewood, CO 80215

(303) 236-2801

USDA Rural Development State Office
4607 South DuPont Highway

(302) 697-4300

Florida/Virgin Islands

4440 NW. 25th Place
Gainesville, FL 32614-7010

Georgia

USDA Rural Development State Office

355 E. Hancock Avenue
Athens, GA 30601-2768

Hawaii

USDA Rural Development State Office

154 Waianuenue Avenue
Hilo, HI 96720

Idaho

USDA Rural Development State Office

Boise, ID 83709
(208) 378-5600

USDA Rural Development State Office
Illini Plaza, Suite 103

Champaign, IL 61820
(217) 398-5235

Indiana

USDA Rural Development State Office
5975 Lakeside Boulevard
Indianapolis, IN 46278
(317) 290-3100

Iowa

USDA Rural Development State Office
Federal Building, Room 873
210 Walnut Street
Des Moines, IA 50309
(515) 284-4663

Kansas

USDA Rural Development State Office
1200 SW. Executive Drive
Topeka, KS 66615
(785) 271-2701

Kentucky

USDA Rural Development State Office
771 Corporate Drive, Suite 200
Lexington, KY 40503
(606) 224-7300

Louisiana

USDA Rural Development State Office
3727 Government Street
Alexandria, LA 71302
(318) 473-7920

Maine

USDA Rural Development State Office
444 Stillwater Avenue, Suite 2
Bangor, ME 04402-0405
(207) 990-9106

Massachusetts/Rhode Island/Connecticut

USDA Rural Development State Office

Amherst, MA 01002

(413) 253-4300

USDA Rural Development State Office

3001 Coolidge Road, Suite 200

(517) 324-5100

Minnesota

410 AgriBank Building

375 Jackson Street

(651) 602-7800

Mississippi

Federal Building, Suite 831

100 West Capitol Street

(601) 965-4316

Missouri

601 Business Loop 70 West

Parkade Center, Suite 235

(573) 876-0976

Montana

900 Technology Blvd., Unit 1, Suite B

Bozeman, MT 59715

Nebraska

USDA Rural Development State Office
Federal Building, Room 152
100 Centennial Mall N
Lincoln, NE 68508
(402) 437-5551

Nevada

USDA Rural Development State Office
1390 South Curry Street
Carson City, NV 89703-9910
(775) 887-1222

New Jersey

USDA Rural Development State Office
Tarnsfield Plaza, Suite 22
790 Woodlane Road
Mt. Holly, NJ 08060
(609) 265-3600

New Mexico

USDA Rural Development State Office
6200 Jefferson Street, NE., Room 255
Albuquerque, NM 87109
(505) 761-4950

New York

USDA Rural Development State Office
The Galleries of Syracuse
441 South Salina Street, Suite 357
Syracuse, NY 13202-2541
(315) 477-6400

North Carolina

USDA Rural Development State Office
4405 Bland Road, Suite 260
Raleigh, NC 27609
(919) 873-2000

North Dakota

USDA Rural Development State Office
Federal Building, Room 208
220 East Rosser
Bismarck, ND 58502-1737
(701) 530-2043

Ohio

USDA Rural Development State Office
Federal Building, Room 507
200 North High Street
Columbus, OH 43215-2477
(614) 255-2500

Oklahoma

USDA Rural Development State Office
100 USDA, Suite 108
Stillwater, OK 74074-2654
(405) 742-1000

Oregon

USDA Rural Development State Office
101 SW Main Street, Suite 1410
Portland, OR 97204-3222
(503) 414-3300

Pennsylvania

USDA Rural Development State Office
One Credit Union Place, Suite 330
Harrisburg, PA 17110-2996
(717) 237-2299

Puerto Rico

USDA Rural Development State Office
New San Juan Office Building, Room 501
159 Carlos E. Chardon Street
Hato Rey, PR 00918-5481
(787) 766-5095

South Carolina

USDA Rural Development State Office
Strom Thurmond Federal Building
1835 Assembly Street, Room 1007
Columbia, SC 29201
(803) 765-5163

South Dakota

USDA Rural Development State Office
Federal Building, Room 210
200 4th Street, SW.
Huron, SD 57350
(605) 352-1100

Tennessee

USDA Rural Development State Office
3322 West End Avenue, Suite 300
Nashville, TN 37203-1084
(615) 783-1300

Texas

USDA Rural Development State Office
Federal Building, Suite 102
101 South Main
Temple, TX 76501
(254) 742-9700

Utah

USDA Rural Development State Office
Wallace F. Bennett Federal Building
125 South State Street, Room 4311
Salt Lake City, UT 84147-0350
(801) 524-4320

Vermont/New Hampshire

USDA Rural Development State Office
City Center, 3rd Floor
89 Main Street

Montpelier, VT 05602

Virginia

Culpeper Building, Suite 238

Richmond, VA 23229

Washington

1835 Black Lake Boulevard, SW., Suite B

(360) 704-7740

USDA Rural Development State Office

75 High Street, Room 320

(304) 284-4860

USDA Rural Development State Office

Stevens Point, WI 54481

Wyoming

100 East B, Federal Building, Room 1005

(307) 261-6300

David W. Lewis, Rural Business-

Cooperative Service, USDA, Room 6858-S, Mail Stop 3224, South Agriculture Building,
1400 Independence Avenue, SW., Washington, D.C. 20250-3224, Telephone (202) 690-0797.

SUPPLEMENTARY INFORMATION: IRP regulations published in 7 CFR part 4274, subpart D, and section 1323 of the Food and Security Act of 1985 (Pub. L. 99-198) (7 U.S.C. 1932 note), as amended by Pub. L. 99-425, authorized the Secretary to make loans to entities for the purposes and subject to the terms and conditions specified in the first, second, and last sentences of section 623(a) of the Community Economic Development Act of 1981 (42 U.S.C. 9812(a)). The intermediary loans previously approved and administered by the U.S. Department of Health and Human Services under 45 CFR part 1076, which were transferred to the USDA under the provisions of section 1323 of the Food Security Act of 1985, are not eligible for participation in the pilot sale.

The Agency initiated a pilot program, through a Memorandum of Understanding with the Colorado Housing and Finance Authority (CHFA) in May 1997 to allow CHFA to sell its ultimate recipient portfolio on the secondary market. CHFA was created to address the critical funding needs of community-based development lenders in Colorado. In consultation with the Office of Management and Budget (OMB) and the U.S. Department of the Treasury, RBS has decided to expand the pilot sale, on a limited basis, in order to gather additional information and experience for consideration in establishing a permanent sales program.

Selected applicants will be posted on the Agency web site and notified in writing. The benefit of this loan sale to the intermediary will be an increase in portfolio liquidity, allowing the

intermediaries that subsequently re-loan to eligible applicants, including individuals, public or private organizations, or other legal entities with authority to incur debt and carry out the purpose

in selling its seasoned portfolio. The initial screening of the intermediaries and their portfolios will be the responsibility of the Rural Development State Offices. State Offices will make

applications of interest, along with State Office recommendations, and make final selections for loan sales.

potential buyers for those portfolios, and offerors of other services to buyers or sellers, e.g., financial advisors. However, only intermediaries selected through the invitation of applications of

must include: (1) a history of the intermediary; (2) its latest audited financial statement; (3)

summary data on each loan in the portfolio including original and current amount, interest rate,

reserves for loan payments; (6) the number of jobs created or saved; (7) the Standard Industrial

Code for each loan recipient; (8) write-off of bad debts history; (9) a proposal that illustrates how

the sale of the intermediary's portfolio supports Rural Development Mission Area target objectives, i.e., rural areas suffering fundamental, physical and economic stress, persistent poverty, out-migration, or as identified in the Rural Development State Strategic Plan; (10) non-federal fund leveraging of past or potential loans; and (11) the documentation of the need for added capital and unmet loan demand. It is important that the performance history of the overall portfolio, including any portion not proposed for sale, be fully detailed, including the volume and frequency of any delinquencies or default. It is equally important that intermediaries expedite the Agency review of their application of interest by responding to each of the questions in this notice in a format which allows a rapid evaluation of their response and minimizes the possibility that the reviewer will misunderstand the information provided.

PAPERWORK REDUCTION ACT: In accordance with the Paperwork Reduction Act of 1995, the Agency has received emergency approval and clearance by OMB for the reporting and record keeping requirements contained in this Notice. The OMB control number for this information collection is 0570-0036.

CRITERIA FOR PARTICIPATION IN THE ULTIMATE RECIPIENT PORTFOLIO

SALE: The expansion of the pilot sale will be conducted on a competitive basis and under criteria set by RBS. The following criteria must be met (with adequate documentation provided) to be considered under this pilot sale.

1.

portfolio classified as seasoned loans (loans outstanding for at least 12 months).

The following qualifications also apply:

The ultimate recipient loans to be sold must be current according to their promissory notes and other agreements.

The current 30-day or more delinquency rate for the entire IRP portfolio, including the portion not proposed to be offered for sale, must not exceed

c. In the aggregate, loans will be sold at synonymous terms.

d.

e. Annual portfolio writeoffs by the intermediary of its loans will not exceed an _____ over the past 3 years in the _____ of the

evaluated on the RBS point scoring system on a nationwide basis.

f.

purchaser and reflected in any sales contract entered into between intermediary and purchaser.

Due diligence expenses will only be authorized by the Agency to be paid if the

released from any subsequent liability in regard to the sale of notes sold as non-recourse loans. The due diligence process does not need to be complete at the time the application of interest is filed.

- h. Intermediaries agree to use sale proceeds only to make new loans under 7 CFR part 4274, subpart D, except, as shown below, the intermediary may use sale proceeds to continue to pay its debt service to RBS.
 - i. The sales proceeds will be tracked separately and will be deposited into the intermediary's revolving loan fund, recapitalizing the fund for the purpose of making new loans in accordance with the eligible purposes outlined in the current Agency regulations, work plan, and loan agreements.
 - j. Any sale of ultimate recipient loans must be completed by December 31, 2000.
- 2. Intermediaries, who have advanced at least 95 percent of the aggregate total funds loaned them by RBS under this program and who meet the stated criteria, are eligible to apply for participation in this expanded pilot. The intermediary must provide documentation for the unmet demand for third-party loans and its ability to re-lend all of the proceeds to eligible projects within 3 years from the date of the loan sale before it will be considered for participation in this expanded pilot. This documentation must include a list of loans turned down for lack of funds, the aggregate number and amount of viable loans considered but not made, and the policies under which the intermediary establishes rates and terms for the new loans to be made. [As one illustration, interest rate policy might be loans that will be at: (a) 2 percent interest if secured by a standby letter of credit from a financial institution;

and (b) 5 percent if secured by other collateral. Another illustration might be to make

the intermediary has some policy for setting maturities and balloon structures.] The

intermediary may provide a survey indicating demand for additional funds. The

losses, and loans made in Rural Development mission areas, targeted areas, and

population. Refer to State Offices for details on target areas. The intermediary must

closing or at the end of the 3-year period must immediately make extra principal

repayments on its IRP loans in the full amount of the undisbursed portion as required by

sale must maintain their IRP loans with the Agency in a current status. There will be no

moratorium or deferment of payments granted on the loan to the intermediary

to advance the new funds, and proceeds from the sale can be used for Agency debt

service. Intermediaries must have sufficient alternative sources of funds to ensure IRP

loan portfolios will be ineligible to apply for further IRP loans from RBS unless

95 percent of funds received from the sale have been advanced as loans. Upon selection

applicants selected from the annual Agency appropriation cycle will be held in suspense.

If the intermediary is unable to sell its loans under terms approved by RBS, the suspended

IRP applications for funding will be reactivated for further funding consideration under the available Agency appropriation.

3. If there is Community Reinvestment Act credit associated with the loans, the amount of such credit is to be permanently noted, as it may influence the value to a final purchaser. RBS considers any financial contribution by the intermediary, other than meeting its own expenses associated with the sale, as potentially weakening the financial strength of the intermediary to meet its long-term obligation to RBS. Intermediary affiliate resources or contributions from private sources, used in "hold" or "market" value sale of the ultimate recipient portfolio, will not be either a debt or a contingent liability of the intermediary and will be closely scrutinized by the Agency to assure the sale does not weaken the intermediary financially. Only intermediaries selected for the loan sale are authorized to sell their ultimate recipient portfolio and, even if selected by RBS, they are under no obligation to ultimately consummate a sale.
4. RBS may authorize the non-recourse sale of less than a total portfolio if, in RBS's opinion, a partial sale of the portfolio is financially sound and benefits program objectives. The sale may be structured as a sale of whole loans or as any related structure.
5. The intermediary will advertise the sale of its loans in media with significant national distribution, to attract the greatest possible interest from a diverse client base. Advertising costs may be shared on a cooperative basis with other participating intermediaries to assist in defraying advertising expenses. Such cost will be the

responsibility of the intermediary. It is the intent of RBS to develop a coordinated approach to soliciting interest from eligible intermediaries and potential purchasers of prices for the portfolios.

6. offer to retain servicing rights to their portfolio loans sold in the pilot loan sale. In the event the intermediary retains processing, it maintains to make and service loans in each portfolio, and the steps it expects to take to maintain adequate staffing to service and make loans and present such intermediary will be required to obtain certification, from the purchaser, that the sale of servicing will not result in an acceleration of ultimate recipient loans and that appropriate

7. Recapitalized funds realize accordance with current IRP regulations found at 7 CFR part 4274, subpart D, and 7 CFR part 1951, subpart R; the approved work plan; and the same processing resulting from the sale, even though not Agency IRP loan funds, will be administered in accordance with current regulations and the approved work plan. The Agency will

Federal funds directly from the Agency. These responsibilities include Agency review of

individual third-party loans prior to approval, conduct of environmental reviews, and the requirement that 25 percent of the loan amount for all third-party loans be financed from other sources until funds have revolved. Proceeds from the sale shall only be used for recapitalization of the IRP revolving fund and will not be co-mingled with funds from other programs until funds have revolved. As previously stated, funds may be used for servicing the intermediary=s debt with RBS.

8. All reserves and other cash in the IRP revolving fund not immediately needed, for loans to ultimate recipients or other authorized uses, will be deposited in Federal Deposit Insurance Corporation (FDIC)-insured accounts in banks or other financial institutions. Such accounts will be fully covered by FDIC insurance or fully collateralized with U.S. Government obligations and must be interest bearing. Any interest earned thereon remains a part of the IRP revolving fund.

IRP RANKING CRITERIA: Priority points are determined as follows:

(MAXIMUM NUMBER OF POINTS INCLUDING ADMINISTRATOR PRIORITY
POINTS: 110)

1. Percent of Portfolio Loaned--Maximum Points: 10.
 - a. Intermediary that has loaned out all of the IRP Federal funds (10 points).
 - b. Intermediary that has loaned out between 97-99 percent of the IRP Federal funds (8 points).
 - c. Intermediary that has loaned out 95 up to 97 percent of the IRP Federal

funds (5 points).

2. Delinquencies--Maximum Points: 10.

- a. Intermediary that has no ultimate recipient delinquency in its portfolio (10 points).
- b. Intermediary that has 1 percent or less delinquencies in its portfolio based on outstanding loan balances (8 points).
- c. Intermediary that has more than 1 percent but less than 2 percent delinquencies in its portfolio based on outstanding loan balances (5 points).
- d. Intermediary that has between 2 percent up to and including 3 percent portfolio delinquency rate inclusive on outstanding loan balances (3 points).

3. Writeoffs of Bad Loans--Maximum Points: 10.

- a. Intermediary that has no writeoffs of ultimate recipient loans over the past 3 fiscal years (10 points).
- b. Intermediary that has written off 1 percent or less of the loan balances of its ultimate recipient loans over the past 3 fiscal years (8 points).

4. Maturity of Loans--Maximum Points: 10.

- a. Intermediary that has an average ultimate recipient loan portfolio maturity of 10 years or more (10 points).

Intermediary that has an average ultimate recipient loan portfolio maturity of at least 7 but less than 10 years (8 points).

- c. Intermediary that has an average ultimate recipient loan portfolio maturity of at

- least 5 but less than 7 years (5 points).
- d. Intermediary that has an average ultimate recipient loan portfolio with maturity of at least 3 but less than 5 years (3 points).
 - e. Intermediary that has an average ultimate recipient loan portfolio maturity of at least 1 but less than 3 years (1 point).
5. Leverage: Intermediary that has Obtained Non-Federal Loan or Grant Funds to Pay a Portion of the Cost of the Ultimate Recipient Projects--Maximum Points: 10.
- a. Fifty percent or more of the total project cost (10 points).
 - b. At least 25 percent but less than 50 percent of the total project cost (8 points).
 - c. At least 10 percent but less than 25 percent of the total project cost (5 points).
6. Rural Area--Maximum Points: 10.
- a. Intermediary that has made two or more ultimate recipient loans or made 25 percent of the total loans, whichever is the greater, to ultimate recipients in unincorporated areas, and cities or towns with populations of 10,000 or less based on 1990 census data (10 points).
 - b. Intermediary that has made ultimate recipient loans in unincorporated areas, and cities or towns with a population of more than 10,000, up to and including 20,000, based on 1990 census data (5 points).
7. Reserves for Loan Payments--Maximum Points: 10. Intermediary that has established a cash reserve to make RBS loan payments:
- a. Greater than 21 months (10 points).

- b. Greater than 18 months but not exceeding 21 months (8 points).
- c. Greater than 15 months but not exceeding 18 months (5 points).
- d. Any reserve level equal to or greater than 12 months but not exceeding 15 months (3 points).

8. Community Reinvestment Act Requirements--Maximum Points: 10.

Intermediary's ultimate recipient loans that meet Community Reinvestment Act (CRA) requirements (10 points). The intermediary must determine, based on applicant information, which loans may qualify as Community Development Investments under the provisions of the CRA requirements. RBS is interested in how the intermediary made this determination and quantified the potential credits. RBS intends to assure that the intermediary obtains the maximum value from its portfolio and does not weaken its financial structure, as some potential purchasers may be willing to pay a premium for CRA credits of specific types in specific states. If the intermediary calls this to the attention of potential purchasers, a higher price may result. The Agency will rely on the applicant's submission of CRA data to assess the credibility of the applicant's submission.

Greater than 50 percent of portfolio principal meets CRA requirements (10 points).

- b. Greater than 25 percent but not exceeding 50 percent of portfolio principal (8 points).
- c. Greater than 10 percent but not exceeding 25 percent of portfolio principal (5 points).

- d. Any dollar value greater than \$0 but not exceeding 10 percent of portfolio principal (3 points).
9. Loans Sold at Par Value--Maximum Points: 5.
- A par sale is defined as a sale in the aggregate which results in the receipt of sufficient funds from the sale of all principal and interest outstanding on the loans sold to third parties, which, together with funds already revolved, will allow the intermediary to meet its loan obligation to RBS. Note, this is not necessarily a sale which nominally sells each of the individual loans at or above the face value of the loan. Face value is defined as the note balance of an individual loan at the time of assessment.
10. Presidential/Administration Priority Areas: Empowerment Zones/Enterprise Communities, Pacific Northwest/Alaskan Initiative, Rural Development Mission Area, Targeted Areas and Population--Maximum Points: 15.
- a. Intermediary that has loaned between 50 and 75 percent of its IRP funds in these targeted area populations (15 points).
 - b. Intermediary that has loaned between 25 up to 50 percent in these targeted area populations (10 points).
 - c. Intermediary that has loaned less than 25 percent of its IRP funds in targeted area populations (5 points).
11. Administrator's Priority Points--Maximum Points: 10.
- For purposes of evaluation of the proposals by intermediaries, this factor is based on the

following sub-elements, each with a maximum number of points, which, in the aggregate, may reach up to a maximum of 10 points which the RBS Administrator may assign for proposals which present superior approaches to the stated criteria above, or which will lead to better geographic balance of intermediary loans, which would be included in the sale.

- a. Geographic balance of the areas served by the intermediaries selected to participate in the sale (Maximum = 6 points).
- b. Support of Rural Development Objectives: Does the proposal illustrate how the sale of the intermediary's portfolio supports Rural Development Mission Area target objectives, i.e., Presidential or administration priority areas, rural areas suffering fundamental, physical and economic stress, persistent poverty, out migration, or as identified in the Rural Development State Strategic Plan? What percentage of RBS funds to this intermediary have gone into these targeted areas or to targeted populations? An exceptional effort by the intermediary to successfully lend over 75 percent in targeted areas in their present portfolio demonstrates their ability to do the same with revolved funds (Maximum = 4 points).

ADDITIONAL APPLICATION REQUIREMENTS: The intermediary's application must also include the following:

1. Intermediary Name, Street Address (or other postal delivery information), Contact Person,

Telephone and Fax Numbers, appropriate E-Mail addresses for making contact, and, if the entity has a web site, the Uniform Resource Locator (URL) address for that site.

2. History of the Intermediary.
3. Modified Work Plan, Detailing Mission or Goals, Outreach Service Plan.
4. Summarize Each Ultimate Recipient Loan in the Format Outlined in Form RD 1951-4:
 - a. Name and address of ultimate recipient.
 - b. Type of business.
 - c. Use of loan funds.
 - d. Original amount of loan.
 - e. Date of loan.
 - f. Unpaid balance.
 - g. Interest rate.
 - h. Terms of loan/date of final payment.
 - i. Collateral, including lien position.
 - j. Loan status.
 - k. Number of consecutive loan payments ultimate recipient has made in accordance with the promissory note.
 - l. Standard Industrial Code on the ultimate recipient loan.
5. Summarize the Intermediary Ultimate Recipient Portfolio.
 - a. Range and average interest rates.
 - b. Range and average repayment term.

- c. Percent of loans made for which intermediary received first lien.
- d. Percent of loans made with real estate collateral.
- e. Percent of loans made with machinery and equipment collateral.
- f. Percent of outstanding loan balances with current repayment status on report date.
- g. Percent of loan balances written off.
- h. Percent of loans made with one or more payments late by 30 days or more.
- i. Percent of loans made with one or more payments late by 30 days or more.
- j. Use of leverage on each ultimate recipient loan.
- k. Population where ultimate recipient loans were made.
- l. Identify loans in mission area targeted areas.

SELECTIONS ANNOUNCEMENT: The Agency will announce on its Internet web site, 45 days after the end of the solicitation period, the intermediaries selected to participate in the expanded pilot sale, potential purchasers, and third parties interested in structuring the sale of ultimate recipient notes. The Business Programs web site is located at www.rurdev.usda.gov/rbs/busp/bpdir.htm. Click on "*IRP 3rd Party Sale*." Click on Application@ in paragraph four to receive a copy of the invitation for application and subsequent updates on this loan sale via the Internet (e-mail and web site hot links included). The information will provide updated lists of interested intermediaries, third-party advisors, and third-party purchasers. RBS employees will be notified of loan sale selections via memorandum and the Agency Intranet. All intermediaries making an application of interest under the pilot program will also be notified, in writing, of their selection or non-selection and of third-party purchaser and

financial advisor interest. To be included in the published listings, interested third parties (purchasers and advisors) must provide the following information:

THIRD-PARTY PURCHASER REQUIREMENTS:

Third-party purchasers will provide the company name, address, contact person, telephone and fax numbers, e-mail address, and URL address (web site). The expression of interest must be in writing. A written letter accompanying the company history, expertise, examples, and references from the purchasers is required and will be submitted to the National Office, Attention: David Lewis, Loan Specialist, Business Programs Servicing Division, Rural Business-Cooperative Service, Rural Development, USDA, Stop 3224, 1400 Independence Avenue, SW., Washington, D.C. 20250-3224.

ADVISORS--STRUCTURING THE SALE: Advisors will provide the company name, address, contact person, telephone and fax numbers, e-mail address, and URL address (web site). The expression of interest must be in writing. A written letter accompanying the company history, expertise, examples, and references from the advisors is required and will be submitted to the National Office, Attention: David Lewis, Loan Specialist, Business Programs Servicing Division, Rural Business-Cooperative Service, Rural Development, USDA, Stop 3224, 1400 Independence Avenue, SW., Washington, D.C. 20250-3224.

OTHER MATTERS:

1. Environmental Finding. A Finding of No Significant Impact, with respect to the environment, has been made by the Agency in accordance with RBS regulations at 7 CFR part 1940, subpart G, or its successor regulation.
2. Civil Rights Impact Analysis. It is the policy within the Rural Development mission area to ensure that the consequences of any proposed project approval do not negatively or disproportionately affect program beneficiaries by virtue of race, color, sex, national origin, religion, age, disability, sexual orientation, and marital or familial status, or because all or part of an individual's income is derived from any public assistance program. To ensure that any proposal under this demonstration program complies with these objectives, the RBS approval official will complete Form RD 2006-38, "Civil Rights Impact Analysis Certification."
3. Executive Order 13132, dated August 4, 1999, *Federalism*. The Agency has determined that the policies and procedures contained in this Notice will not have substantial direct effects on States or their political subdivisions, or the relationship between the Federal Government and the States, or on the distribution of power and responsibilities among the various levels of government. As a result, the Notice is not subject to review under the Order.
4. Prohibition Against Advance Information on Funding Decisions. RBS employees involved in the review of applications and in the making of funding decisions are restricted from providing advance information to any person (other than an authorized employee of RBS) concerning funding decisions, or from otherwise giving any applicant an unfair competitive

advantage.

Under Secretary

Dated

Rural Development

RECALL:A&T:\5-IRP PILOT NOTICE (BLUE DISK/GREEN DISK) (WP/MW)